MT LEGISLATIVE HISTORY

Chapter 699 19 91

Bill H 672 S _____ Original bill & hist. ✓ C

H. Committee on Business & Economic Development S. Committee on Business & Industry

Hearing Date(s)	Feb 20	✓ C	Hearing Date(s)	Mar 14	✓ C
	_____	___ C		Mar 18	✓ C
	_____	___ C		_____	___ C
	_____	___ C		_____	___ C
Date Out	Feb 21	✓ C		Mar 18	✓ C

Did this bill originate in an interim committee? ___ Yes ___ No

Committee _____ Report _____

Note: A Conference Committee was appointed, but its minutes were not recorded.

4/05	3RD READING CONCURRED	48	2
	RETURNED TO HOUSE WITH AMENDMENTS		
4/09	2ND READING AMENDMENTS CONCURRED	94	5
4/10	3RD READING AMENDMENTS CONCURRED	92	7
4/16	SIGNED BY SPEAKER		
4/16	SIGNED BY PRESIDENT		
4/16	TRANSMITTED TO GOVERNOR		
4/20	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 502 EFFECTIVE DATE: 10/01/91		

HB 669 INTRODUCED BY COCCHIARELLA
GENERAL FUND APPROPRIATION FOR THE
MONTANA STATE HOSPITAL AT GALEN

2/07	INTRODUCED
2/07	REFERRED TO LABOR & EMPLOYMENT RELATIONS
2/07	FIRST READING
3/22	HEARING
3/22	TABLED IN COMMITTEE

HB 670 INTRODUCED BY DAILY, ET AL.
REQUIRING REVIEW OF HARD-ROCK MINE
RECLAMATION BONDS EVERY 5 YEARS

2/07	INTRODUCED
2/07	REFERRED TO NATURAL RESOURCES
2/07	FIRST READING
2/07	FISCAL NOTE REQUESTED
2/12	FISCAL NOTE RECEIVED
2/12	FISCAL NOTE PRINTED
2/15	HEARING
2/16	COMMITTEE REPORT—BILL PASSED
2/23	REREFERRED TO NATURAL RESOURCES
3/12	TABLED IN COMMITTEE

HB 671 INTRODUCED BY GILBERT, ET AL.
GENERALLY REVISE THE SUBDIVISION AND PLATTING ACT AMENDMENTS

2/07	INTRODUCED		
2/07	REFERRED TO NATURAL RESOURCES		
2/07	FIRST READING		
2/07	FISCAL NOTE REQUESTED		
2/14	FISCAL NOTE RECEIVED		
2/14	FISCAL NOTE PRINTED		
2/18	HEARING		
2/22	COMMITTEE REPORT—BILL PASSED AS AMENDED		
2/25	2ND READING PASSED AS AMENDED	68	32
2/26	3RD READING PASSED	62	37
	TRANSMITTED TO SENATE		
2/27	FIRST READING		
2/27	REFERRED TO NATURAL RESOURCES		
3/14	REVISED FISCAL NOTE REQUESTED		
3/15	HEARING		
3/24	HEARING		
4/03	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
4/04	2ND READING CONCUR AS AMENDED		
	MOTION FAILED	23	26
4/04	2ND READING INDEFINITELY POSTPONED	25	24
4/04	MOTION FAILED TO RECONSIDER		
	PREVIOUS ACTION	22	28

HB 672 INTRODUCED BY FAGG, ET AL.
GENERALLY REVISE INSURANCE LAWS;
PROVIDING CONSUMER PROTECTION

BY REQUEST OF STATE AUDITOR

2/07	INTRODUCED		
2/07	REFERRED TO BUSINESS & ECONOMIC DEVELOPMENT		
2/07	FIRST READING		
2/20	HEARING		
2/21	COMMITTEE REPORT—BILL PASSED AS AMENDED		
2/22	PLACED ON CONSENT CALENDAR		
2/27	3RD READING PASSED	100	0
	TRANSMITTED TO SENATE		
2/27	REFERRED TO BUSINESS & INDUSTRY		
3/04	FIRST READING		
3/14	HEARING		
3/19	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
3/23	2ND READING CONCURRED	48	0
3/25	3RD READING CONCURRED	48	0
	RETURNED TO HOUSE WITH AMENDMENTS		
4/09	2ND READING AMENDMENTS NOT CONCURRED	83	15
4/11	CONFERENCE COMMITTEE APPOINTED		
4/19	CONFERENCE COMMITTEE REPORT NO. 1		
4/19	2ND READING CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	59	39
4/20	3RD READING CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	93	5
	SENATE		
4/16	CONFERENCE COMMITTEE APPOINTED		
4/19	CONFERENCE COMMITTEE REPORT NO. 1		
4/19	2ND READING CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	49	0
4/20	3RD READING CONFERENCE COMMITTEE REPORT NO. 1 ADOPTED	47	0
4/25	SIGNED BY SPEAKER		
4/25	SIGNED BY PRESIDENT		
4/25	TRANSMITTED TO GOVERNOR		
4/29	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 699	EFFECTIVE DATE: 10/01/91	

HB 673 INTRODUCED BY D. BROWN, ET AL.
GENERALLY REVISE GAMBLING LAWS
BY REQUEST OF GAMING ADVISORY COUNCIL

2/07	INTRODUCED		
2/07	REFERRED TO JUDICIARY		
2/07	FIRST READING		
2/07	FISCAL NOTE REQUESTED		
2/12	HEARING		
2/14	FISCAL NOTE RECEIVED		
2/15	FISCAL NOTE PRINTED		
4/01	COMMITTEE REPORT—BILL NOT PASSED AS AMENDED		
4/02	MOTION FAILED TO REJECT ADVERSE COMMITTEE REPORT AND PLACE ON 2ND READING (MOTION REQUIRES 3/5 VOTE TO PASS)	56	42
4/02	ADVERSE COMMITTEE REPORT ADOPTED		

HB 674 INTRODUCED BY COBB
REQUIRE LABELING OF CHICKEN AND TURKEY
WHEN WATER ABSORBED IN PROCESSING

2/07	INTRODUCED
2/07	REFERRED TO BUSINESS & ECONOMIC DEVELOPMENT
2/07	FIRST READING
2/08	REREFERRED TO AGRICULTURE, LIVESTOCK & IRRIG.
2/18	HEARING

HOUSE BILL NO. 672

INTRODUCED BY FAGG, R. JOHNSON, SCOTT, LARSON, FRANKLIN, MCCULLOCH, GAGE, SQUIRES
BY REQUEST OF THE STATE AUDITOR

IN THE HOUSE

FEBRUARY 7, 1991	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT.
	FIRST READING.
FEBRUARY 21, 1991	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
FEBRUARY 22, 1991	PRINTING REPORT.
	POSTED ON ALTERNATIVE CONSENT CALENDAR.
FEBRUARY 27, 1991	THIRD READING, PASSED. AYES, 100; NOES, 0.
	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 4, 1991	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY.
	FIRST READING.
MARCH 19, 1991	COMMITTEE RECOMMEND BILL BE CONCURRED IN AS AMENDED. REPORT ADOPTED.
MARCH 20, 1991	ON MOTION, CONSIDERATION PASSED UNTIL THE 61ST LEGISLATIVE DAY.
MARCH 22, 1991	ON MOTION, CONSIDERATION PASSED UNTIL THE 63RD LEGISLATIVE DAY.
MARCH 23, 1991	SECOND READING, CONCURRED IN.
MARCH 25, 1991	THIRD READING, CONCURRED IN. AYES, 48; NOES, 0.
	RETURNED TO HOUSE WITH AMENDMENTS.

IN THE HOUSE

APRIL 9, 1991	RECEIVED FROM SENATE.
	SECOND READING, AMENDMENTS NOT CONCURRED IN.
APRIL 11, 1991	ON MOTION, CONFERENCE COMMITTEE REQUESTED AND APPOINTED.
	IN THE SENATE
APRIL 16, 1991	ON MOTION, CONFERENCE COMMITTEE REQUESTED AND APPOINTED.
	IN THE HOUSE
APRIL 19, 1991	CONFERENCE COMMITTEE REPORTED.
	SECOND READING, CONFERENCE COMMITTEE REPORT ADOPTED.
APRIL 20, 1991	THIRD READING, CONFERENCE COMMITTEE REPORT ADOPTED.
	IN THE SENATE
APRIL 20, 1991	CONFERENCE COMMITTEE REPORT ADOPTED.
	IN THE HOUSE
APRIL 22, 1991	SENT TO ENROLLING.
	REPORTED CORRECTLY ENROLLED.

LC 0652/01

House BILL NO. 672

INTRODUCED BY Fazio, Larson, McCulloch, Stiff

BY REQUEST OF THE STATE AUDITOR

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE LAWS RELATING TO INSURANCE; ESTABLISHING CONSUMER PROTECTION MEASURES RELATING TO RELATIONSHIPS WITH LONG-TERM CARE FACILITIES, PREMIUM INCREASES, AND PREEXISTING CONDITIONS; AND AMENDING SECTIONS 33-15-1106, 33-18-210, 33-20-101, 33-20-121, 33-20-131, AND 33-22-508, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Prohibited relations with long-term care facility.** An insurance producer that owns, manages, supervises, operates, maintains, or works in a long-term care facility as defined in 37-9-101 may not solicit, negotiate, transact, or effectuate a life or disability policy or certificate of insurance for a resident of a long-term care facility.

NEW SECTION. **Section 2. Premium increase restriction -- exception.** An insurer may not increase a premium in an individual or group disability insurance policy more frequently than once during a 12-month period unless failure to increase the premium more frequently than once during the 12-month period would:

(1) place the insurer in violation of the laws of this state; or

(2) cause the financial impairment of the insurer to the extent that further transaction of insurance by the insurer injures or is hazardous to its policyholders or to the public.

NEW SECTION. **Section 3. Preexisting conditions.** (1) A policy or certificate of disability insurance may not exclude coverage for a condition for which no medical advice or treatment was recommended by or received from a provider of health care services within 5 years preceding the effective date of coverage of an insured person unless the condition begins within 6 months following the effective date of coverage of an insured person.

(2) An insurer may use an application form designed to elicit the complete health history of an applicant and, on the basis of the answers on that application, perform underwriting in accordance with the insurer's established underwriting standards.

Section 4. Section 33-15-1106, MCA, is amended to read:

"**33-15-1106. Renewal with altered terms.** (1) If an insurer offers or purports to renew a policy but on less favorable terms, at a higher rate, or at a higher rating plan, the new terms, rate, or rating plan take effect on the policy renewal date only if the insurer has mailed or

INTRODUCED BILL
HB 672

Montana Legislative Council

delivered notice of the new terms, rate, or rating plan to the insured at least 30 days before the expiration date. If the insured has not been so notified, he may cancel the renewal policy within 30 days after receiving the notice. The insurer shall continue coverage for a period of not less than 30 days after mailing or delivery of the notice. If the insured terminates the policy within the 30-day period, the insurer shall calculate the earned premium pro rata based upon the prior policy's rate. The new rate is effective only after the required 30-day notification period has been met. If the insured does not terminate the policy, the premium increase and other changes are effective the day following the prior policy's expiration or anniversary date.

(2) This section does not apply if~~:~~

~~(a)--the-change-is-a-rate-or-rating-plan-filed-with--the commissioner--and-applicable-to-the-entire-classification-or classification-system-to-which-the-policy-belongs;-or~~

~~(b)~~ the increase in the rate or the rating plan, or both, results from a classification change based on the altered nature or extent of the risk insured against."

Section 5. Section 33-18-210, MCA, is amended to read:

"33-18-210. Unfair discrimination and rebates prohibited -- property, casualty, and surety insurances. (1) ~~No~~ A title, property, casualty, or surety insurer or ~~any~~ an employee, representative, insurance producer, or solicitor

~~thereof~~ of an insurer may not, as an inducement to purchase insurance or after insurance has been effected, pay, allow, or give or offer to pay, allow, or give, directly or indirectly, ~~any~~ a:

(a) rebate, discount, abatement, credit, or reduction of the premium named in the insurance policy; ~~any~~

(b) special favor or advantage in the dividends or other benefits to accrue ~~thereon~~ on the policy; or ~~any~~

(c) valuable consideration or inducement not specified in the policy, except to the extent provided for in an applicable filing with the commissioner as provided by law.

(2) ~~No~~ An insured named in a policy or ~~any~~ an employee of the insured may not knowingly receive or accept, directly or indirectly, ~~any-such~~ a:

(a) rebate, discount, abatement, credit, or reduction of premium;

(b) special favor or advantage; or

(c) valuable consideration or inducement.

(3) ~~No-such~~ An insurer may not make or permit ~~any~~ unfair discrimination in the premium or rates charged for insurance, in the dividends or other benefits payable ~~thereon~~ on insurance, or in any other of the terms and conditions of the insurance either between insureds or property having like insuring or risk characteristics or between insureds because of race, color, creed, religion, or

national origin.

(4) ~~Nothing--in--this~~ This section may not be construed as prohibiting the payment of commissions or other compensation to duly licensed insurance producers or solicitors or as prohibiting an insurer from allowing or returning lawful dividends, savings, or unabsorbed premium deposits to its participating policyholders, members, or subscribers.

(5) ~~No--such~~ An insurer may not make or permit ~~any~~ unfair discrimination between individuals or risks of the same class and of essentially the same hazards by refusing to issue, refusing to renew, canceling, or limiting the amount of insurance coverage on a property or casualty risk because of the geographic location of the risk, unless:

(a) the refusal, cancellation, or limitation is for a business purpose ~~which~~ that is not a mere pretext for unfair discrimination; or

(b) the refusal, cancellation, or limitation is required by law or regulatory mandate.

(6) ~~No-such~~ An insurer may not make or permit ~~any~~ unfair discrimination between individuals or risks of the same class and of essentially the same hazards by refusing to issue, refusing to renew, canceling, or limiting the amount of insurance coverage on a residential property risk, or the personal property contained therein, because of the

age of the residential property, unless:

(a) the refusal, cancellation, or limitation is for a business purpose ~~which~~ that is not a mere pretext for unfair discrimination; or

(b) the refusal, cancellation, or limitation is required by law or regulatory mandate.

(7) ~~No-such~~ An insurer may not refuse to insure, refuse to continue to insure, or limit the amount of coverage available to an individual because of the sex or marital status of the individual, but an insurer may take marital status into account for the purpose of defining persons eligible for dependents' benefits.

(8) ~~No--such~~ An insurer may not terminate or modify coverage or refuse to issue or refuse to renew ~~any~~ a property or casualty policy or contract of insurance solely because the applicant or insured or any employee of either is mentally or physically impaired; however, this subsection does not apply to accident and health insurance sold by a casualty insurer, and this subsection ~~is~~ may not ~~to~~ be interpreted to modify any other provision of law relating to the termination, modification, issuance, or renewal of any insurance policy or contract.

(9) An insurer may not refuse to insure, refuse to continue to insure, charge higher rates, or limit the amount of coverage available to an individual based on adverse

information contained in a driving record that is 3 years old or older.

(10) An insurer may not charge points or surcharge a private passenger motor vehicle policy because of a claim submitted under the insured's policy if the insured was not at fault."

Section 6. Section 33-20-101, MCA, is amended to read:

"33-20-101. Scope. ~~Parts~~ (1) Except as provided in subsection (2), parts 1 through 5 of this chapter apply only to contracts of life insurance and annuities, other than reinsurance, group life insurance, and group annuities.

(2) Section 33-20-131 applies to group life insurance and group annuities."

Section 7. Section 33-20-121, MCA, is amended to read:

"33-20-121. Prohibited provisions -- limitations on liability. (1) ~~No~~ A policy of life insurance may not be delivered or issued for delivery in this state if it contains ~~any of the following provisions~~ a provision:

(a) ~~a provision~~ for a period shorter than that provided by statute within which an action at law or in equity may be commenced on the policy; or

(b) ~~a provision which~~ that excludes or restricts liability for death caused in a certain specified manner or occurring while the insured has a specified status, except that a policy may contain provisions excluding or

restricting coverage as specified ~~therein~~ in the policy in the event of death ~~under any one or more of the following circumstances~~:

(i) ~~death~~ as a result, directly or indirectly, of war, declared or undeclared, or of action by military forces or of any act or hazard of ~~such~~ war or action or of service in the military, naval, or air forces or in civilian forces auxiliary thereto or from any cause while a member of ~~such~~ military, naval, or air forces of any country at war, declared or undeclared, or of any country engaged in ~~such~~ military action;

(ii) ~~death~~ as a result of aviation or any air travel or flight;

(iii) ~~death~~ as a result of a specified hazardous occupation or occupations;

(iv) ~~death~~ while the insured is a resident outside the continental United States and Canada; or

(v) ~~death~~ within 2 years from the date of issue of the policy as a result of suicide, while seriously mentally ill or otherwise. If a life insurance policy contains a dependent rider, the dependent coverage may be continued upon payment of the premium for the dependent rider.

(2) A policy ~~which~~ that contains ~~any~~ an exclusion or restriction pursuant to subsection (1) ~~of this section shall~~ must also provide that in the event of death under the

circumstances to which ~~any such~~ the exclusion or restriction is applicable, the insurer will pay an amount not less than a reserve determined according to the commissioner's reserve valuation method ~~upon~~ on the basis of the mortality table and interest rate specified in the policy for the calculation of nonforfeiture benefits (or if the policy provides for no such benefits, computed according to a mortality table and interest rate determined by the insurer and specified in the policy), with adjustment for indebtedness or dividend credit.

(3) This section does not apply to industrial life insurance, group life insurance, disability insurance, reinsurance, or annuities or to ~~any~~ a provision in a life insurance policy relating to disability benefits or to additional benefits in the event of death by accident or accidental means.

(4) ~~Nothing contained in this~~ This section ~~prohibits any~~ does not prohibit a provision ~~which~~ that in the opinion of the commissioner is more favorable to the policyholder than a provision permitted by this section."

Section 8. Section 33-20-131, MCA, is amended to read:

"33-20-131. Policy loan or certificate loan. (1) ~~Except~~ Subject to the provisions of 33-20-101(2) and except as provided in 33-20-132 through 33-20-136, there ~~shall~~ must be a provision that after 3 full years' premiums have been paid

and after the policy or certificate has a cash surrender value and while ~~no~~ a premium is not in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy or certificate and on the sole security ~~thereof~~ of the policy or certificate, at a specified rate of interest not exceeding 6% a year, an amount equal to or, at the option of the party entitled ~~thereto~~ to the loan, less than the loan value of the policy or certificate. The commissioner may authorize a rate of interest in excess of 6%, but not in excess of 8% a year (or 7.4% if payable annually in advance), for policies or certificates issued on or after January 1, 1980, if the insurer provides adequate written certification that the holders of ~~such~~ the policies will benefit fully from the increased earnings of the insurer resulting from the use of an interest rate in excess of the 6% per annum, such as from higher interest income to the company on policy or certificate loans, higher investment yield resulting from a reduction in policy or certificate loans because of the higher policy or certificate loan interest rate, and any additional income to the company resulting from the use of ~~such~~ the higher interest rate in any manner ~~whatsoever~~. These benefits to the policyholder ~~shall~~ must be reflected through higher dividends, ~~or~~ lower premiums, or both. The loan value of the policy ~~shall~~ must be at least equal to the

cash surrender value at the end of the then current policy or certificate year, provided that the insurer may deduct, either from ~~such~~ the loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining ~~such~~ the cash surrender value (including ~~any~~ interest then accrued but not due), ~~any~~ an unpaid balance of the premium for the current policy or certificate year, and interest on the loan to the end of the current policy or certificate year unless the policyowner by written notice to the insurer elects to defer payment of interest until it has accrued. The policy or certificate may also provide that if interest on ~~any~~ indebtedness is not paid when due, it ~~shall then~~ must be added to the existing indebtedness and ~~shall~~ must bear interest at the same rate, and that if and when the total indebtedness on the policy or certificate, including interest due or accrued, equals or exceeds the amount of ~~the~~ its loan value ~~thereof, then~~ the policy ~~shall terminate~~ or certificate terminates and become is void. The policy ~~shall~~ or certificate must reserve to the insurer the right to defer the granting of a loan, other than for the payment of ~~any~~ a premium to the insurer, for 6 months after application ~~therefor~~ for the loan. The policy or certificate, at the insurer's option, may provide for an automatic premium loan, subject to an election of the party entitled to elect.

(2) This section ~~shall~~ does not apply to term policies or to term insurance benefits provided by rider or supplemental policy provisions or to industrial life insurance policies."

Section 9. Section 33-22-508, MCA, is amended to read:

"33-22-508. Conversion on termination of eligibility. (1) A group disability insurance policy issued or renewed after October 1, 1981, ~~shall~~ must contain a provision that if the insurance or any portion of it on a person, his dependents, or family members covered under the policy ceases because of termination of his employment or of his membership in the class or classes eligible for coverage under the policy or as a result of his employer discontinuing his business or as a result of his employer discontinuing the group disability insurance policy and not providing for any other group disability insurance or plan, ~~such~~ and if the person ~~shall, provided he~~ had been insured for a period of 3 months, ~~be~~ he is entitled to have issued to him by the insurer, without evidence of insurability, group coverage or an individual policy issued by the insurer or, in the absence of an individual policy issued by the insurer, a group policy issued by the insurer, of hospital or medical service insurance on himself, his dependents, or family members, ~~provided~~ if application for the individual policy ~~shall be~~ is made and the first premium tendered to

1 the insurer within 31 days after the termination of group
2 coverage.
3 (2) The individual policy or group policy, at the
4 option of the insured, ~~shall~~ may be on any ~~of-the-forms~~ form
5 then customarily issued by the insurer to individual or
6 group policyholders, with the exception of ~~those--policies~~
7 ~~whose~~ a policy the eligibility for which is determined by
8 affiliation other than by employment with a common entity.
9 (3) The premium on the individual policy ~~shall~~ or group
10 policy must be at the insurer's then customary rate
11 applicable to the coverage of the individual or group
12 policy."
13 NEW SECTION. **Section 10.** Codification instruction. (1)
14 [Section 1] is intended to be codified as an integral part
15 of Title 33, chapter 17, part 11, and the provisions of
16 Title 33, chapter 17, part 11, apply to [section 1].
17 (2) [Section 2] is intended to be codified as an
18 integral part of Title 33, chapter 22, part 1, and the
19 provisions of Title 33, chapter 22, part 1, apply to
20 [section 2].
21 (3) [Section 3] is intended to be codified as an
22 integral part of Title 33, chapter 22, part 2, and the
23 provisions of Title 33, chapter 22, part 2, apply to
24 [section 3].

-End-

SENATE STANDING COMMITTEE REPORT

MR. PRESIDENT:

We, your committee on Business and Industry having had under consideration House Bill No. 672 (third reading copy -- blue), respectfully report that House Bill No. 672 be amended and as so amended be concurred in:

1. Title, line 9.
Following: "INCREASES,"
Insert: "DISCRIMINATION IN INSURANCE,"

2. Title, line 10.
Following: "SECTIONS"
Insert: "33-1-502"

3. Page 2, lines 18 through 20.
Strike: "OR" on line 18 through "person" on line 20
Following: "."
Insert: "The condition may only be excluded for a maximum of 12 months."

4. Page 7, line 6.
Following: "based"
Insert: "solely"

5. Page 13, line 19.
Following: line 18
Insert: "**Section 10.** Section 33-1-502, MCA, is amended to read:
"**33-1-502. Grounds for disapproval.** The commissioner shall disapprove any form filed under 33-1-501 or withdraw any previous approval thereof only if the form:
(1) is in any respect in violation of or does not comply with this code;
(2) contains or incorporates by reference, where such incorporation is otherwise permissible, any inconsistent, ambiguous, or misleading clauses or exceptions and conditions which deceptively affect the risk purported to be assumed in the general coverage of the contract, including a provision in a casualty insurance form permitting defense costs within limits, except as permitted by the commissioner in his discretion;
(3) has any title, heading, or other indication of its provisions which is misleading;

(4) is printed or otherwise reproduced in such manner as to render any provision of the form substantially illegible.
(5) contains any provision that violates the provisions of 49-2-309.""
Renumber: subsequent section

Signed: _____
John "J.D." Lynch, Chairman

LB 3/19/91
Amd. Coord.

SB 3/19 12:40
Sec. of Senate

SENATE
HB 672

CHAIRMAN--BOB BACHINI SECRETARY-JO LAHTI
NORMAL SCHEDULE==> SITE: ROOM 312-3 DAYS: M,T,W,T,F TIME: 8:00 A.M.

BILL NO	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
HB0629	2/06	3/07		PASS AS AMENDED		3/07
MCCULLOCH, SCOTT			REQUIRE PERIODIC RENEWALS OF CERTIFICATES OF LIMITED PARTNERSHIP			
HB0651	2/06	3/07		PASS AS AMENDED		3/09
HARRINGTON, DAN			REPEAL EXISTING FRATERNAL BENEFIT SOCIETY LAW AND REPLACE WITH NEW TITLE			
HB0655	2/06	2/19		PASS AS AMENDED		2/20
GRADY, ED			AUTHORIZE BELOW GRADE LIQUEFIED PETROLEUM GAS APPLIANCES			
HB0664	2/07	3/15		PASS AS AMENDED	APPROPRIATIONS	3/16
SOUTHWORTH, JIM			FUND MEDICAL RESEARCH FACILITIES PROJECTS			
HB0667	2/07	2/20		PASS AS AMENDED		2/21
DARKO, PAULA			ALLOW BD OF MED EXAMINERS TO RAISE LICENSE FEES TO HIRE ADDITIONAL STAFF			
HB0672	2/07	2/20		PASS AS AMENDED		2/21
FAGG, RUSSELL			GENERALLY REVISE INSURANCE LAWS; PROVIDING CONSUMER PROTECTION			
HB0674	2/07				AGRICULTURE	
COBB, JOHN			REQUIRE LABELING OF CHICKEN AND TURKEY WHEN WATER ABSORBED IN PROCESSING			
HB0683	2/07	2/20		DO PASS		2/20
SIMPKINS, RICHARD			REGULATE USE OF AFTER CRASH PART NOT MADE BY ORIGINAL MANUFACTURER OF AUTO			
HB0686	2/07	2/18		TABLED ON 02/19		
KILPATRICK, TOM			REIMBURSING RETAILER FOR GASOLINE TAX EVAPORATION ALLOWANCE			
HB0688	2/08	2/11		TABLED ON 02/13		
SIMPKINS, RICHARD			ELIMINATING INSPECTIONS BY BOARD OF COSMETOLOGISTS			
HB0690	2/08	2/22		PASS AS AMENDED		2/22
HARPER, HAL			REVISE CRUELTY TO ANIMALS LAW AND INCREASE PENALTY FOR NUMEROUS OFFENSES			

representatives from MLA who could answer this question. He didn't want the fine to be cut. **REP. WALLIN** asked **Mr. Keith** if a logger was ever paid for more logs than are actually on the load. **Mr. Keith** said yes, it can happen.

Vote: REP. KILPATRICK'S amendment to reduce the fine CARRIED, with REPS. STELLA JEAN HANSEN, KILPATRICK, and SCOTT voting No.

Motion/Vote: REP. LARSON moved to adopt the two year sunset amendment. Motion CARRIED with REPS. STELLA JEAN HANSEN, STEPPLER, and SCOTT voting No.

Mr. Verdon explained the gray bill is the substitute bill for HB 169.

Motion/Vote: REP. DOWELL moved the contents of the substitute bill as amended be adopted. Motion CARRIED with REPS. BARNETT and BENEDICT voting No.

HEARING ON HOUSE BILL 672

REP. RUSSELL FAGG, HD 89, Billings, said this bill is a compromise bill drafted by the State Auditor's office, and is introduced at their request. It is an Act to generally revise the laws relating to insurance; establishing consumer protection measures relating to relationships with long-term care facilities, premium increases, and preexisting conditions; and amending several sections in Chapter 33, MCA.

He met with **Larry Akey, Life Insurance Industry,** and **Tom Hopgood, Health Insurance Association of America.** The bill has been amended to the satisfaction of the State Auditor's office and the insurance companies. **EXHIBIT 5.** It is basically a consumer protection bill the insurance companies can support. Pre-existing conditions referred to on Page 2, Section 3, line 13 is changed from 6 months to 12 months following the effective date of coverage of an insured person should a health problem recur. Basically, HB 672 says an insurance company cannot write someone out of an insurance policy for a condition they haven't had for the past five years if it doesn't recur within 12 months of the time the insurance policy is kicked in. The time is going to be changed to twelve months; the reason is for pregnancy purposes. This got very controversial and resulted in the proposed amendments shown in **EXHIBIT 5.**

Proponents' Testimony:

Dave Barnhill, on behalf of the **Commissioner of Insurance,** said this bill has the purpose of advancing in important ways the interest of consumers. Some of the provisions are the result of consumer complaints to the office. Others are the result of their research of the Code which revealed the potential for problems. **EXHIBIT 6.**

Closing by the Sponsor:

REP. FAGG pointed out that **Tom Hopgood and Larry Akey** were in support of HB 672.

HEARING ON HOUSE BILL 667

Presentation and Opening by Sponsor:

REP. PAULA DARKO, HD 2, Libby, explained HB 667 is an Act to allow the Board of Medical Examiners to hire additional staff and fund any additional position through an increase in the license fees paid by licensed physicians; amending Section 37-3-203, MCA; and providing an immediate effective date. It costs about $25,000 per year at that time, and since then the workload has increased because of ongoing investigations and alleged problems within the profession. The Board of Medical Examiners has a lot of work to do.

Proponents' Testimony:

Patty England, Executive Secretary, Legal Counsel for the Board, said they need another person to assist them in some of their investigations. These investigations are critical to the public because of the physicians who have problems or are experiencing problems; for example, chemical dependency or chemical abuse, improper behavior, etc. Without proper staff, they cannot do the work in a timely manner. They are requesting they be allowed to assess extra fees on the doctors, and the doctors are willing to pay the fee to police their profession and all other professions that they regulate. The bill is self-explanatory. **EXHIBIT 7.**

Discussion:

REP. ROYAL JOHNSON said he has served on the Board of Medical Examiners. They do need to hire one more person. Currently, the Board of Medical Examiners is staffed by **Patty England, Executive Director and Administrative Assistant,** and one part-time secretary. They cannot do the investigative work that needs to be accomplished. During 1989, eight licenses were suspended or revoked. That was seven more than in the past three years. There are 43 investigations currently being done by the Board of Medical Examiners, primarily by **Patty.** That takes considerable legal time. What they really want is a paralegal person. The money for this bill does not come from the State. It comes from dues assessed the physicians and paid to the Board. The physicians have agreed to it, and the Board of Medical Examiners has agreed to it.

Questions from the Committee:

CHAIRMAN BACHINI said there are some corrections to make to the amendments. **EXHIBIT 8.** **REP. DARKO** explained the page number on the last two amendments is incorrect. It should read Page 2

instead of Page 1. **EXHIBIT 8A.** The last two amendments, #6 and #7, allow the Department to handle the hiring rather than the Board. They will take recommendations from the Board of Medical Examiners. There is a fiscal note attached to it. **Patty England** said there will be a graduated fee schedule rather than a flat fee. The doctors will pay proportionately.

REP. BENEDICT asked if it would be possible to insert an open-ended amendment to the bill to hire one staff person and fund an additional position. **REP. DARKO** said she would refer the question to **Patty England. Ms. England** said that would be agreeable. She said complaints to the Board of Medical Examiners have increased by 225% compared to June 1988 figures. The demands on the staff are increasing. The statistics show they are doing the job effectively, but as the greater number of complaints come in, obviously, the longer time it will take to get to attend to them. In the meantime, if there are serious problems with a doctor, the public may be in jeopardy.

REP. BENEDICT asked if the number of personnel in the medical community has grown in Montana. **Ms. England** said the number of doctors has been static, between 1350 and 1450 over the last two years. Right now there are 1339 active licensees, 395 out-of-state active licensees and 650 inactive licensees, 102 are retired, 47 are in the military, for a total of 2533 medical doctors in the State. There are 54 podiatrists, 61 acupuncturists, 148 nutritionists and 33 physician's assistants.

REP. PAVLOVICH asked how many doctors leave the State each year. According to his mail, there may not be any left. **Ms. England** said approximately 250 are lost every year. Not all come to the State. Some may plan to come eventually, many seek licensure because they are in the military and have to be licensed for some reason.

Closing by the Sponsor:

REP. DARKO reiterated the fee schedule system. The plan is to apply the fee increase proportionately to the amount the doctors pay as their license fee in proportion to the license fees paid by the other professions they license. The work load has really increased. She concurred in the proposed amendments.

HEARING ON HOUSE BILL 672 (Continued)

Proponents' Testimony:

Steve Brown, Blue Cross/Blue Shield, Helena, said they are a proponent of HB 672, and support the bill as amended. In addition, they would like to offer an amendment for consideration. **REP. FAGG** and the Commissioner's Office does not support this set of amendments. These deal with mandatory pregnancy coverage under Montana's Health Insurance Laws and

Unisex Law. What has developed is the issue of whether the Commissioner of Insurance has the authority to enforce the rules of the Montana Human Rights Commission, stating that if there are unisex laws, mandatory coverage for pregnancy must be included. This amendment would make it clear that the Commissioner of Insurance would have the authority to disapprove insurance forms that do not contain mandatory pregnancy coverage. **EXHIBIT 5A.** He urged adoption.

Tom Hopgood, Health Insurance Association of America, Helena, said they do not oppose the bill. They do not oppose the amendments offered by **REP. FAGG**, neither do they oppose the amendments offered by Blue Cross/Blue Shield.

Questions from the Committee:

REP. PAVLOVICH asked **REP. FAGG** if those were the amendments he did not concur in. **REP. FAGG** said he wasn't certain how they coincided with HB 388 and, until he had time to study HB 388, he opposed them. It was his understanding that it was going to cause controversy.

CHAIRMAN BACHINI asked **Mr. Barnhill** to comment on the amendments. **Mr. Barnhill** said the mandatory maternity coverage law is contained in Title 49. They enforce Title 33. When a company files forms for review by them, they are reviewed for compliance with Title 33 only. They do notify the insurance company in writing that they must also comply with Title 49. The Human Rights Commission has the authority to enforce the violations of Title 49. One reason they are opposed to this is, if they were to review coverages for compliance with Title 49, that would subject the insurance companies to penalties under their code as well. This would penalize the insurance company twice. He is opposed to the amendments proposed by Blue Cross/Blue Shield as they relate to pregnancy coverage.

CHAIRMAN BACHINI closed the hearing.

HEARING ON HOUSE BILL 870

Presentation and Opening Statement by Sponsor:

REP. ROYAL JOHNSON, HD 88, BILLINGS, said this is another bill from the Medical Examiner's Board. It is an Act to revise the process for making a complaint against a physician or podiatrist by providing that the complaint may be in writing rather than by sworn affidavit; provides renewal dates, revocation dates, removes the limit on fees the board of medical examiners may set and revises requirements and procedures for annual renewals, etc. It allows the Board of Medical Examiners to set some of the rules for the other professions that they do in fact, govern. He referred to Page 4, line 9 which has been changed, "sworn" was deleted and "written" inserted. This allows a person to make a complaint without going to court, without hiring a lawyer, etc.

Vote: Motion CARRIED unanimously.

EXECUTIVE ACTION ON HOUSE BILL 667

Motion: REP. PAVLOVICH moved HB 667 DO PASS.

Motion/Vote: REP. PAVLOVICH moved HB 667 BE AMENDED. (EXHIBIT 8A) Motion CARRIED unanimously.

Discussion:

Mr. Verdon said adding the word "necessary" would not restrict the hiring. It is still vague.

Motion/Vote: REP. PAVLOVICH moved HB 667 DO PASS AS AMENDED. Motion CARRIED unanimously.

EXECUTIVE ACTION ON HOUSE BILL 672

Motion: REP. BENEDICT moved HB 672 DO PASS.

Motion: REP. SONNY HANSON moved HB 672 be amended. (EXHIBIT 5)

Discussion:

Steve Browning, State Farm Insurance Company, Helena, stated State Farm is a mutual insurance company and everything goes back to the policyholders. Montana always pays dividends. The three amendments conform with what goes on in other states. The third amendment should be noncontroversial. It keeps in line with current motor vehicle registrations and is based solely on that information. The first amendment allows insurance premium notices to be sent every six months and to be based on the actual six months cost. The second amendment tracks with the law in other states and with the national insurance commissioner. Amendment #9 strikes the six months provision and inserts 12 months.

Vote: Motion CARRIED unanimously.

Questions from the Committee:

CHAIRMAN BACHINI asked **Mr. Browning** if he had checked with the sponsor. **Mr. Browning** said he would confer with the sponsor and the sponsor could then offer amendments on the floor. **EXHIBIT 15. CHAIRMAN BACHINI** said he would appreciate that.

Motion/Vote: REP. BENEDICT moved HB 672 DO PASS AS AMENDED. Motion CARRIED unanimously.

HOUSE OF REPRESENTATIVES

BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

ROLL CALL DATE Feb. 20, 1991

NAME	PRESENT	ABSENT	EXCUSED
REP. JOE BARNETT	✓		
REP. STEVE BENEDICT	✓		
REP. BRENT CROMLEY	✓		
REP. TIM DOWELL	✓		
REP. ALVIN ELLIS, JR.	✓		
REP. STELLA JEAN HANSEN	✓		
REP. H.S."SONNY" HANSON	✓		
REP. TOM KILPATRICK	✓		
REP. DICK KNOX	✓		
REP. DON LARSON	✓		
REP. SCOTT MCCULLOCH	✓		
REP. BOB PAVLOVICH	✓		
REP. JOHN SCOTT	✓		
REP. DON STEPPLER	✓		
REP. ROLPH TUNBY	✓		
REP. NORM WALLIN	✓		
REP. SHEILA RICE, VICE-CHAIR	✓		
REP. BOB BACHINI, CHAIRMAN	✓		

HOUSE STANDING COMMITTEE REPORT

February 21, 1991

Mr. Speaker: We, the committee on Business and Economic Development report that House Bill 672 (first reading copy -- white) do pass as amended .

Signed: Bob Bachini
Bob Bachini, Chairman

And, that such amendments read:

1. Page 1, line 21.
Following: "."
Insert: "(1)"

2. Page 1, line 22.
Strike: "individual"
Insert: "individual's"
Strike: "group"
Insert: "an individual group's"

3. Page 2, line 1.
Strike: "(1)"
Insert: "(a)"

4. Page 2, line 3.
Strike: "(2)"
Insert: "(b)"

5. Page 2, line 7.
Following: line 6
Insert: "(2) Subsection (1) does not apply to a premium increase necessitated by a state or federal law, court decision, or rule adopted by an agency of competent jurisdiction of the state or federal government."

6. Page 2, line 9.
Strike: "no"

7. Page 2, line 11.
Following: "services"
Insert: "unless the condition occurred"

8. Page 2, line 12.
Following: "person"
Insert: "or"

9. Page 2, line 13.
Following: "within"
Strike: "6"
Insert: "12"

EXHIBIT 2
DATE 2/20/91
HB 672

Amendments to House Bill No. 672
First Reading Copy

Requested by Representative Fagg
For the Committee on Business and Economic Development

Prepared by Paul Verdon
February 12, 1991

1. Page 1, line 21.
Following: "."
Insert: "(1)"

2. Page 1, line 22.
Strike: "individual"
Insert: "individual's"
Strike: "group"
Insert: "an individual group's"

3. Page 2, line 1.
Strike: "(1)"
Insert: "(a)"

4. Page 2, line 3.
Strike: "(2)"
Insert: "(b)"

5. Page 2, line 7.
Following: line 6
Insert: "(2) Subsection (1) does not apply to a premium increase necessitated by a state or federal law, court decision, or rule adopted by an agency of competent jurisdiction of the state or federal government."

6. Page 2, line 9.
Strike: "no"

7. Page 2, line 11.
Following: "services"
Insert: "unless the condition occurred"

8. Page 2, line 12.
Following: "person"
Insert: "or"

9. Page 2, line 13.
Following: "within"
Strike: "6"
Insert: "12"

EXHIBIT 5
DATE 2/20/91
HB 672

PROPOSED AMENDMENTS TO
HB 672

House Bill 672, first reading copy, is hereby amended to read as follows:

1. Page: 1
   Line: 8
   Following: "PREMIUM INCREASES,"
   INSERT: "DISCRIMINATION IN INSURANCE"

2. Page: 1
   Line: 9
   Following: "SECTIONS"
   Insert: "33-1-502,"

3. Page: 2
   Following: Line 19
   Insert: "Section 4. Section 33-1-502, MCA, is amended to read as follows:

   33-1-502. Grounds for disapproval. The commissioner shall disapprove any form filed under 33-1-501 or withdraw any previous approval thereof only if the form:

   (1) is in any respect in violation of or does not comply with this code;

   (2) contains or incorporates by reference, where such incorporation is otherwise permissible, any inconsistent, ambiguous, or misleading clauses or exceptions and conditions which deceptively affect the risk purported to be assumed in the general coverage of the contract, including a provision in a casualty insurance form permitting defense costs within limits, except as permitted by the commissioner in his discretion;

   (3) has any title, heading, or other indication of its provisions which is misleading;

   (4) is printed or otherwise reproduced in such manner as to render any provision of the form substantially illegible~~.~~; or

Ex. 5A
2/20/91
HB 672

(5) contains any provision which violates 49-2-309."

Renumber: all subsequent sections

EXHIBIT 2
DATE 2/20/91
HB 672

House Bill 672
House Business and Economic Development Committee
February 20, 1991
David Barnhill

Mr. Chairman, members of the committee, good morning. I'm Dave Barnhill, Deputy Insurance Commissioner, testifying on behalf of Andrea "Andy" Bennett, as a proponent of House Bill 672.

This bill has the purpose of advancing in important ways the interests of consumers. Some of the provisions are the result of consumer complaints to our office; others are the result of our own research of the Code which revealed the potential for problems.

I acknowledge the constructive criticism of Tom Hopgood of the Health Insurance Association of America, Tanya Ask of Blue Cross and Blue Shield, and Larry Akey of the Montana Association of Life Underwriters. These people have been instrumental in drafting the bill now before you.

The bill, if enacted into law, would:

1. prohibit persons who own or work in rest homes from selling long-term-care insurance to residents of the home;

2. limit the frequency of disability insurance premium increases;

3. prohibit exclusion of disability insurance coverages based on dated medical conditions;

4. require 30 days' notice to insureds of premium increases when the increases are pursuant to a rating plan;

Ex. 4
2/20/91
HB67

5. prohibit underwriting or rating of car insurance based on dated driving records;

6. insurance companies would be able to offer policy loans on group life insurance or annuities;

7. a dependent rider on a life insurance policy could be continued on the payment of the premium for the dependent rider in the event of the suicide of the insured; and

8. strengthen the conversion rights for insureds who have groups covered by group disability insurance.

I am available for questions. Thank you.

Ex. 15

This will be presented on [illegible] sponsor agreed

Amendments to House Bill 672, proposed by Steve Browning, on behalf of State Farm Insurance Companies, February 20, 1991, before the House Business and Economic Development Committee.

EXHIBIT 15
DATE 2/20/91
HB 672

1. Page one, line 23.
Following: "a" on line 23
Strike: 12
Insert: 6

2. Page one, line 25.
Strike: 12
Insert: 6

3. Page two, line 13.
Strike: 6 months
Insert: two years

4. Page six, line 25.
Following: "adverse"
Insert: "solely on"

5. Page seven, line one.
Following: "is"
Insert: "more than"

Alternately
3. Page two, line ten.
Following: "received" on line ten
Insert: "or for which there existed no symptoms which would cause an ordinarily prudent person to seek diagnosis, care or treatment"

HOUSE OF REPRESENTATIVES

1 of 3

VISITOR'S REGISTER

BUSINESS & ECONOMIC DEVELOPMENT COMMITTEE BILL NO. HB 672 HB 748

DATE ~~FEBRUARY 20, 1991~~ SPONSOR(S) REP. FAGG REP. KADAS

PLEASE PRINT PLEASE PRINT PLEASE PRINT

NAME AND ADDRESS	REPRESENTING	BILL	OPPOSE	SUPPORT
Bonda Carpenter	Income Property Owners & Mngs	748	✓	
VERN L. FISCHER	" " " "	748	✓	
Dave Barnhill	Insurance dept	672		✓
Daniel Wood	Bozeman Land Lords Assn	748	✓	
Kaylie Utter	Mob. Home Park operator	748	✓	
Sheryll Hemgate	Sky Land Tr. Ct	748	✓	
Steve Brown	Blue Cross - Blue Shield	672		✓ w/ amend.
Glen C. Watts	Montana Mobile Court	748	✓	
M. Pauline Eggebrecht	" "	748	✓	
E Howard Eggebrecht	" "	748	✓	
Doris Van Voast	" "	748	✓	
MAURICE KNAUT	MOB. HOME PARK OP.	748	✓	
Hal Klemo	Self - Brute			✓

PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.

CHAIRMAN--J. D. LYNCH
SECRETARY-DARA ANDERSON
NORMAL SCHEDULE==> SITE: ROOM 410 DAYS: M,T,W,T,F TIME: 10:00 A.M.

BILL NO	REFER DATE	HEARING DATE	CONSIDERATION DATES	COMMITTEE ACTION	REREFERRED TO COMM	DATE OUT
HB0655	2/27	3/14		CONCUR		3/18
GRADY, ED			AUTHORIZE BELOW GRADE LIQUEFIED PETROLEUM GAS APPLIANCES			
HB0672	2/27	3/14		CONCUR AS AMENDED		3/19
FAGG, RUSSELL			GENERALLY REVISE INSURANCE LAWS; PROVIDING CONSUMER PROTECTION			
HB0683	2/25	3/05		ADVERSE RPT ADOPT		3/05
SIMPKINS, RICHARD			REGULATE USE OF AFTER CRASH PART NOT MADE BY ORIGINAL MANUFACTURER OF AUTO			
HB0698	2/27	3/21		CONCUR AS AMENDED		3/22
SCOTT, JOHN			REVISE TAP ROOM LAW TO INCLUDE BREWERS OF LESS THAN 60,000 BARRELS PER YEAR			
HB0703	2/27	3/20		CONCUR AS AMENDED		3/20
BRADLEY, DOROTHY			SCIENCE AND TECHNOLOGY INVESTMENT IN VENTURE CAPITAL COMPANIES			
HB0719	2/27	3/18		CONCUR AS AMENDED		3/26
BROWN, DAVE			RESTRICT PERSONS WHO MAY CONDUCT PHYSICAL EXAM OR REVIEW CERTAIN RECORDS			
HB0725	2/25	3/07		CONCUR		3/07
SPRING, JR., WILBUR			EXTEND PERMISSIBLE TERM OF CERTAIN CONSUMER LOANS			
HB0735	2/27				JUDICIARY	
MEASURE, BRUCE			REQUIRE INSURER TO REIMBURSE SPECIFIC CLAIMANTS FOR CERTAIN DAMAGES			
HB0739	2/26	3/18		CONCUR AS AMENDED		3/26
RICE, JIM			REVISE REAL PROPERTY REDEMPTION LAWS			
HB0742	3/15	3/20		CONCUR		3/20
WANZENRIED, DAVID			REVISE BOAT DEALER LAWS			
HB0767	2/27	3/19		CONCUR AS AMENDED		3/19
MEASURE, BRUCE			REVISE LAW GOVERNING RESIDENTIAL TENANT'S SECURITY DEPOSITS			

Dean Stapleton replied that in his area, of over eight hundred customers, probably over half of the people have older furnaces.

Senator Gage asked how many natural gas explosions has Representative Hansen investigated as opposed to propane explosions.

Representative Hansen replied about half and half.

Senator Franklin asked Daryl South to respond to Representative Hansen's concerns about safety.

Daryl South replied that when the vapor gets into the air, it mixes with the air. It doesn't puddle on the floor like water.

Closing by Sponsor:

Representative Grady stated that this is a serious piece of legislation. None of the examples have anything to do with what the bill is talking about. Bottled propane, or suppressed gas is very dangerous. We're not talking about that issue. We're talking about the vapor that is pumped in to an underground unit. We're only talking about single dwellings, we're not talking about public schools.

HEARING ON HOUSE BILL 672

Presentation and Opening Statement by Sponsor:

Representative Russell Fagg, sponsor of the bill, stated that this is a consumer protection bill. Although it is a consumer bill proposed by the state auditor, industry people support it too.

Proponents' Testimony:

Dave Barnhill, deputy insurance commissioner, spoke in favor of the bill (See Exhibit 5).

Tanya Ask, representing blue cross blue shield, proposed an amendment (See Exhibit 6).

Gary Keck, representing the human rights commission, stated that they support the amendment proposed by blue cross blue shield. It would make clear the requirements of insurance companies to conform to the non gender insurance law.

Tom Hopgood, representing the health insurance association of America, stated that they support the bill as amended.

Steve Browning, representing state farm insurance, proposed an amendment to the bill. Page one, line twenty five, you are not allowed to have an adjustment in price except during a twelve month period. They would like to see at least a six month period, because all of their policies are done on a six month adjustment. Page seven, line six the bill between "based" and "on adverse" they would propose inserting "solely on".

Opponents' Testimony:

None

Questions From Committee Members:

Senator Williams asked if these amendments were proposed in the house.

Tanya Ask stated that there was a great deal of confusion at the house hearing. It was originally scheduled for eight o'clock, then the hearing was at seven o'clock. With the crunch at transmittal, it was decided to wait, and amend it at the senate.

Senator Franklin asked about the amendment four that Tanya Ask proposed by stating that despite the fact that you may come into the preexisting condition that coverage would denied through here.

Tanya Ask replied that is correct.

Senator Lynch asked if Dave Barnhill agreed with the amendments proposed by Steve Browning.

Dave Barnhill replied that one the amendment that relates to underwriting solely on the basis of the driving record they support. With respect to the other amendment which allows premium increases twice a year, this may be due to the fact that this is a particular practice of state farm.

Closing by Sponsor:

Representative Fagg closed by saying that this is a compromise bill. He asked that the committee not put in the gender amendments proposed by blue cross blue shield. It is a whole new issue, and it totally blows the compromise of this bill.There should be another bill drafted for this issue. He has no problem with the second amendment (See Exhibit 7). Senator Rye will carry the bill to the floor.

EXECUTIVE ACTION ON SENATE BILL 242

Motion:

Senator Noble moved to amend SB 242.

Senator Gage moved SB 242 be concurred in as amended.

Discussion:

None

Amendments, Discussion, and Votes:

The motion to amend SB 242 passed unanimously.

ROLL CALL

BUSINESS AND INDUSTRY COMMITTEE

DATE 3/14/91

52ND LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BRUSKI	X		
SENATOR FRANKLIN	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR NOBLE	X		
SENATOR THAYER		X	
SENATOR WILLIAMS	X		
SENATOR KENNEDY	X		
SENATOR LYNCH	X		

Each day attach to minutes.

DATE 3/14/91

COMMITTEE ON Business & Industry

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One Support	Check One Oppose
Dave Barnhill	Insurance dept	672	X	
Joanne Chance, PE	Montana Tech. Council	655		X
Dan Prill, PE	Self	655		X
W. James Kembel	Public Safety Div / DOC	655	Information	
Gordon Morris	MACo	853	V Amend.	
John E Witt	Chouteau County Farmer	655	✓	
R H Jones	Petrolane	655	✓	
Tom Hopgood	Liquid Propane Gas Assoc	655	✓	
Dean Stapleton	Conex	655	✓	
Rick Crossland	Petrolane	655	—	
Harold McKeehan	Petrolane OF	655	✓	
Tom Farrell	Petrolane	655	✓	
Jack Brown	Petrolane-Suburban	655	✓	
Glenn E Wills	Petrolane	655	✓	
Daryl South	Northern Energy	655	✓	
David Saylor	Petrolane	655	✓	
Steven Chesley	Northern Energy	655	✓	
John N. Jepson	Businessman	655	✓	
Chris Bowers	Northern Energy	655	✓	
Bob Barnett	Texco Product	655	✓	
Richard Kiel	Petrolane	655	✓	
Pat Mulcare	Western Fuel Inc	655	✓	
Jack Mulcare	Western Fuel Inc	655	✓	
Marvin Wang	Northern Energy	655	✓	
James Dowell	Northern Energy	655	✓	
Jim Nadeau	Petrolane	655	✓	

(Please leave prepared statement with Secretary)

DATE

COMMITTEE ON

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Check One: Oppose
Larry Mcnerli	Petrolane	655	✓	
JAY COOK	NORTHERN ENGERL	655	✓	
Kevin Toney	Northern Energy	655	✓	
JAMES B. BROWN	CROSSMAN-WHITNEY-GRIFFIN	655		X
CARL L. HOHN	PETROLANE	655	✓	
LARRY J. BEARD	Northern Energy	655	✓	
George Krause	Northern Energy	655	✓	
Jerry Keck	Human Rights Comm	672	amendment	
Tom Hopgood	Hlth Ins Assoc America	672	amend	
Tanya Ark	Blue Cross & Blue Shield	672	amend	

(Please leave prepared statement with Secretary)

SEN. BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 3/14/91
BILL NO. HB672

House Bill 672
Senate Business and Industry Committee
March 14, 1991
David Barnhill

Mr. Chairman, members of the committee, good morning. I'm Dave Barnhill, Deputy Insurance Commissioner, testifying on behalf of Andrea "Andy" Bennett, as a proponent of House Bill 672.

This bill has the purpose of advancing in important ways the interests of consumers. Some of the provisions are the result of consumer complaints to our office; others are the result of our own research of the Code which revealed the potential for problems.

I acknowledge the constructive criticism of Tom Hopgood of the Health Insurance Association of America, Tanya Ask of Blue Cross and Blue Shield, and Larry Akey of the Montana Association of Life Underwriters. These people have been instrumental in drafting the bill now before you.

The bill, if enacted into law, would:

1. prohibit persons who own or work in rest homes from selling long-term-care insurance to residents of the home;

2. limit the frequency of disability insurance premium increases;

3. prohibit exclusion of disability insurance coverages based on dated medical conditions;

4. require 30 days' notice to insureds of premium increases when the increases are pursuant to a rating plan;

Amendments to House Bill 672
Submitted by the State Auditor
Second Reading Copy
March 14, 1991

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 7
DATE 3/14/91
BILL NO. HB672

1. Page 2, line 18.
Strike: "OR unless the condition begins within ~~6~~ 12 months following the effective date of coverage of an insured person"
Insert: ". The condition may only be excluded for a maximum of 12 months."

SENATE B. INDUSTRY
EXHIBIT NO. 6
DATE 3/14/91
BILL NO. HB672

House Bill 672
Proposed Amendments submitted by
Tanya Ask, Blue Cross and Blue Shield
March 14, 1990

1. Page: 1
   Line: 8
   Following: "PREMIUM INCREASES,"
   Insert: "DISCRIMINATION IN INSURANCE"

2. Page: 1
   Line: 10
   Following: "AMENDING SECTIONS "
   Insert: "33-1-502"

3. Page: 2
   Following: Line 19
   Insert: "Section 4. Section 33-1-502, MCA, is amended to read as follows:

   33-1-502. Grounds for disapproval. The commissioner shall disapprove any form filed under 33-1-501 or withdraw any previous approval thereof only if the form:

   (1) is in any respect in violation of or does not comply with this code;

   (2) contains or incorporates by reference, where such incorporation is otherwise permissible, any inconsistent, ambiguous, or misleading clauses or exceptions and conditions which deceptively affect the risk purported to be assumed in the general coverage of the contract, including a provision in a casualty insurance form permitting defense costs within limits, except as permitted by the commissioner in his discretion;

   (3)has any title, heading, or other indication of its provisions which is misleading;

   (4) is printed or otherwise reproduced in such manner as to render any provision of the form substantially illegible; or

   (5) contains any provision which violates 49-2-309."

   Renumber: all subsequent sections

4. Page: 2
   Lines: 18-20
   Delete: OR unless the condition begins within 6 12 months following the effective date of coverage of an insured person.
   Insert: . The condition may only be excluded for a maximim of 12 months.

that if the judgement is on an underline of a promissory noter instrument, if there is not interest rate expressed in the instrument then it is automatically ten percent.

Senator Thayer stated that he does not object to the bill as it is written, but has a problem with striking the language in the title that Representative Rice suggested.

Representative Rice stated that the reason that he has asked that this language be stricken is that it reads "as applying to redemption after a mortgage foreclosure" and these redemption statutes that we are amending do apply to situations other than just mortgage foreclosures.

Closing by Sponsor:

Representative Rice closed be saying that this bill is not Galleria, it is something that is different, and if the committee would like more language to clarify that point it is fine with him.

EXECUTIVE ACTION ON HOUSE BILL 853

Motion:

Senator Noble moved the amendment proposed by MACO.
Senator Noble moved that HB 853 be concurred in as amended.

Discussion:

None

Amendments, Discussion, and Votes:

The amendments to HB 853 passed unanimously.

Recommendation and Vote:

The motion that HB 853 be concurred in as amended passed unanimously. Senator Hager will carry the bill to the floor.

EXECUTIVE ACTION ON HOUSE BILL 672

Motion:

Senator Williams moved to amend HB 672 by inserting 'solely' on page seven, line six following the word 'individual'.

Senator Hager moved to amend HB 672 on page two, line eighteen, starting by striking 'or' and insert 'the condition may only be excluded for a maximum of twelve months'.

Senator Franklin moved the amendments proposed by blue cross blue shield regarding gender.
Senator Bruski moved HB 672 be concurred in as amended.

Discussion:

None

Amendments, Discussion, and Votes:

The motion by Senator Williams to amend HB 672 passed unanimously.
The motion by Senator Hager to amend HB 672 passed unanimously.
The motion by Senator Franklin to amend HB 672 passed by a 7 to 2 vote.

Recommendation and Vote:

The motion made by Senator Bruski that HB 672 be concurred in as amended passed unanimously. Senator Franklin will carry the bill to the floor.

EXECUTIVE ACTION ON HOUSE BILL 530

Motion:

Senator Noble moved HB 530 be concurred in.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

The motion made by Senator Noble that HB 530 be concurred in passed unanimously. Senator Kennedy will carry the bill to the floor.

EXECUTIVE ACTION ON HOUSE BILL 209

Motion:

Senator Gage moved to amend HB 209.
Senator Gage moved HB 209 be concurred in as amended.

ROLL CALL

BUSINESS AND INDUSTRY COMMITTEE

DATE 3/18/91

52ND LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR BRUSKI	X		
SENATOR FRANKLIN	X		
SENATOR GAGE	X		
SENATOR HAGER	X		
SENATOR NOBLE	X		
SENATOR THAYER	X		
SENATOR WILLIAMS	X		
SENATOR KENNEDY	X		
SENATOR LYNCH	X		

Each day attach to minutes.

ROLL CALL VOTE

SENATE COMMITTEE BUSINESS AND INDUSTRY

Date 3/18/91 Bill No. HB 672 Time 10 a.m.

NAME	YES	NO
SENATOR WILLIAMS	X	
SENATOR THAYER	X	
SENATOR NOBLE	X	
SENATOR HAGER	X	
SENATOR GAGE	X	
SENATOR FRANKLIN	X	
SENATOR BRUSKI	X	
SENATOR KENNEDY	X	
SENATOR LYNCH	X	

DARA ANDERSON
Secretary

J.D. LYNCH
Chairman

Motion: WILLIAMS AMENDMENT 'SOLELY' PG 7 LINE 6 FOLLOWING THE WORD ~~BASED~~ 'INDIVIDUAL'

ROLL CALL VOTE

SENATE COMMITTEE BUSINESS AND INDUSTRY

Date 3/18/91 Bill No. HB 672 Time 10 a.m.

NAME	YES	NO
SENATOR WILLIAMS	X	
SENATOR THAYER	X	
SENATOR NOBLE	X	
SENATOR HAGER	X	
SENATOR GAGE	X	
SENATOR FRANKLIN	X	
SENATOR BRUSKI	X	
SENATOR KENNEDY	X	
SENATOR LYNCH	X	

DARA ANDERSON
Secretary

J.D. LYNCH
Chairman

Motion: HAGER AMENDMENT PG 2, LINE 18
STRIKE 'OR' → INSERT

ROLL CALL VOTE

SENATE COMMITTEE BUSINESS AND INDUSTRY

Date 3/18/91 Bill No. HB672 Time 10 a.m.

NAME	YES	NO
SENATOR WILLIAMS		X
SENATOR THAYER	X	
SENATOR NOBLE	X	
SENATOR HAGER		X
SENATOR GAGE	X	
SENATOR FRANKLIN	X	
SENATOR BRUSKI	X	
SENATOR KENNEDY	X	
SENATOR LYNCH	X	

DARA ANDERSON
Secretary

J.D. LYNCH
Chairman

Motion: FRANKLIN AMENDMENT BLUE CROSS - GENDOR INSURANCE 1-2 & 3

ROLL CALL VOTE

SENATE COMMITTEE BUSINESS AND INDUSTRY

Date 3/18/91 Bill No. HB672 Time 10 a.m.

NAME	YES	NO
SENATOR WILLIAMS	X	
SENATOR THAYER	X	
SENATOR NOBLE	X	
SENATOR HAGER	X	
SENATOR GAGE	X	
SENATOR FRANKLIN	X	
SENATOR BRUSKI	X	
SENATOR KENNEDY	X	
SENATOR LYNCH	X	

DARA ANDERSON
Secretary

J.D. LYNCH
Chairman

Motion: BRUSKI BE CONCURRED IN AS AMENDED
FRANKLIN TO CARRY

AN ACT TO GENERALLY REVISE THE LAWS RELATING TO INSURANCE; ESTABLISHING CONSUMER PROTECTION MEASURES RELATING TO RELATIONSHIPS WITH LONG-TERM CARE FACILITIES, PREMIUM INCREASES, DISCRIMINATION IN INSURANCE, AND PREEXISTING CONDITIONS; AND AMENDING SECTIONS 33-1-502, 33-15-1106, 33-18-210, 33-20-101, 33-20-121, 33-20-131, AND 33-22-508, MCA.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. **Prohibited relations with long-term care facility.** An insurance producer that owns, manages, supervises, operates, maintains, or works in a long-term care facility as defined in 37-9-101 may not solicit, negotiate, transact, or effectuate a life or disability policy or certificate of insurance for a resident of a long-term care facility.

Section 2. **Premium increase restriction -- exception.** (1) An insurer may not increase a premium in an individual's or an individual group's disability insurance policy more frequently than once during a 12-month period unless failure to increase the premium more frequently than once during the 12-month period would:

(a) place the insurer in violation of the laws of this state; or

(b) cause the financial impairment of the insurer to the extent that further transaction of insurance by the insurer injures or is hazardous to its policyholders or to the public.

Montana Legislative Council

(2) Subsection (1) does not apply to a premium increase necessitated by a state or federal law, court decision, or rule adopted by an agency of competent jurisdiction of the state or federal government.

Section 3. **Preexisting conditions.** (1) A policy or certificate of disability insurance may not exclude coverage for a condition for which medical advice or treatment was recommended by or received from a provider of health care services unless the condition occurred within 5 years preceding the effective date of coverage of an insured person. The condition may only be excluded for a maximum of 12 months.

(2) An insurer may use an application form designed to elicit the complete health history of an applicant and, on the basis of the answers on that application, perform underwriting in accordance with the insurer's established underwriting standards.

Section 4. Section 33-15-1106, MCA, is amended to read:

"**33-15-1106. Renewal with altered terms.** (1) If an insurer offers or purports to renew a policy but on less favorable terms, at a higher rate, or at a higher rating plan, the new terms, rate, or rating plan take effect on the policy renewal date only if the insurer has mailed or delivered notice of the new terms, rate, or rating plan to the insured at least 30 days before the expiration date. If the insured has not been so notified, he may cancel the renewal policy within 30 days after receiving the notice. The insurer shall continue coverage for a period of not less than 30

days after mailing or delivery of the notice. If the insured terminates the policy within the 30-day period, the insurer shall calculate the earned premium pro rata based upon the prior policy's rate. The new rate is effective only after the required 30-day notification period has been met. If the insured does not terminate the policy, the premium increase and other changes are effective the day following the prior policy's expiration or anniversary date.

(2) This section does not apply if~~:~~

~~(a)--the-change-is-a--rate--or--rating--plan--filed--with--the commissioner--and--applicable--to--the--entire--classification--or classification-system-to-which-the-policy-belongs;-or~~

~~(b)~~ the increase in the rate or the rating plan, or both, results from a classification change based on the altered nature or extent of the risk insured against."

Section 5. Section 33-18-210, MCA, is amended to read:

"33-18-210. Unfair discrimination and rebates prohibited -- property, casualty, and surety insurances. (1) ~~No~~ A title, property, casualty, or surety insurer or ~~any~~ an employee, representative, insurance producer, or solicitor ~~thereof~~ of an insurer may not, as an inducement to purchase insurance or after insurance has been effected, pay, allow, or give or offer to pay, allow, or give, directly or indirectly, ~~any~~ a:

(a) rebate, discount, abatement, credit, or reduction of the premium named in the insurance policy; ~~any~~

(b) special favor or advantage in the dividends or other benefits to accrue ~~thereon~~ on the policy; or ~~any~~

(c) valuable consideration or inducement not specified in the policy, except to the extent provided for in an applicable filing with the commissioner as provided by law.

(2) ~~No~~ An insured named in a policy or ~~any~~ an employee of the insured may not knowingly receive or accept, directly or indirectly, ~~any-such~~ a:

(a) rebate, discount, abatement, credit, or reduction of premium;

(b) special favor or advantage; or

(c) valuable consideration or inducement.

(3) ~~No--such~~ An insurer may not make or permit ~~any~~ unfair discrimination in the premium or rates charged for insurance, in the dividends or other benefits payable ~~thereon~~ on insurance, or in any other of the terms and conditions of the insurance either between insureds or property having like insuring or risk characteristics or between insureds because of race, color, creed, religion, or national origin.

(4) ~~Nothing-in-this~~ This section may not be construed as prohibiting the payment of commissions or other compensation to duly licensed insurance producers or solicitors or as prohibiting an insurer from allowing or returning lawful dividends, savings, or unabsorbed premium deposits to its participating policyholders, members, or subscribers.

(5) ~~No such~~ An insurer may not make or permit ~~any~~ unfair discrimination between individuals or risks of the same class and of essentially the same hazards by refusing to issue, refusing to renew, canceling, or limiting the amount of insurance coverage on a property or casualty risk because of the geographic location of the risk, unless:

(a) the refusal, cancellation, or limitation is for a business purpose ~~which~~ that is not a mere pretext for unfair discrimination; or

(b) the refusal, cancellation, or limitation is required by law or regulatory mandate.

(6) ~~No such~~ An insurer may not make or permit ~~any~~ unfair discrimination between individuals or risks of the same class and of essentially the same hazards by refusing to issue, refusing to renew, canceling, or limiting the amount of insurance coverage on a residential property risk, or the personal property contained therein, because of the age of the residential property, unless:

(a) the refusal, cancellation, or limitation is for a business purpose ~~which~~ that is not a mere pretext for unfair discrimination; or

(b) the refusal, cancellation, or limitation is required by law or regulatory mandate.

(7) ~~No such~~ An insurer may not refuse to insure, refuse to continue to insure, or limit the amount of coverage available to an individual because of the sex or marital status of the

individual, but an insurer may take marital status into account for the purpose of defining persons eligible for dependents' benefits.

(8) ~~No--such~~ An insurer may not terminate or modify coverage or refuse to issue or refuse to renew ~~any~~ a property or casualty policy or contract of insurance solely because the applicant or insured or any employee of either is mentally or physically impaired; however, this subsection does not apply to accident and health insurance sold by a casualty insurer, and this subsection ~~is~~ may not ~~to~~ be interpreted to modify any other provision of law relating to the termination, modification, issuance, or renewal of any insurance policy or contract.

(9) An insurer may not refuse to insure, refuse to continue to insure, charge higher rates, or limit the amount of coverage available to an individual based solely on adverse information contained in a driving record that is 3 years old or older.

(10) An insurer may not charge points or surcharge a private passenger motor vehicle policy because of a claim submitted under the insured's policy if the insured was not at fault."

Section 6. Section 33-20-101, MCA, is amended to read:

"33-20-101. Scope. ~~Parts~~ (1) Except as provided in subsection (2), parts 1 through 5 of this chapter apply only to contracts of life insurance and annuities, other than reinsurance, group life insurance, and group annuities.

(2) Section 33-20-131 applies to group life insurance and

group annuities."

Section 7. Section 33-20-121, MCA, is amended to read:

"33-20-121. Prohibited provisions -- limitations on liability. (1) ~~No~~ A policy of life insurance may not be delivered or issued for delivery in this state if it contains ~~any--of--the following-provisions~~ a provision:

(a) ~~a--provision~~ for a period shorter than that provided by statute within which an action at law or in equity may be commenced on the policy; or

(b) ~~a--provision--which~~ that excludes or restricts liability for death caused in a certain specified manner or occurring while the insured has a specified status, except that a policy may contain provisions excluding or restricting coverage as specified ~~therein~~ in the policy in the event of death ~~under-any-one-or-more of-the-following-circumstances~~:

(i) ~~death~~ as a result, directly or indirectly, of war, declared or undeclared, or of action by military forces or of any act or hazard of ~~such~~ war or action or of service in the military, naval, or air forces or in civilian forces auxiliary thereto or from any cause while a member of ~~such~~ military, naval, or air forces of any country at war, declared or undeclared, or of any country engaged in ~~such~~ military action;

(ii) ~~death~~ as a result of aviation or any air travel or flight;

(iii) ~~death~~ as a result of a specified hazardous occupation or

occupations;

(iv) ~~death~~ while the insured is a resident outside the continental United States and Canada; or

(v) ~~death~~ within 2 years from the date of issue of the policy as a result of suicide, while seriously mentally ill or otherwise. If a life insurance policy contains a dependent rider, the dependent coverage may be continued upon payment of the premium for the dependent rider.

(2) A policy ~~which~~ that contains ~~any~~ an exclusion or restriction pursuant to subsection (1) ~~of-this-section-shall~~ must also provide that in the event of death under the circumstances to which ~~any-such~~ the exclusion or restriction is applicable, the insurer will pay an amount not less than a reserve determined according to the commissioner's reserve valuation method ~~upon~~ on the basis of the mortality table and interest rate specified in the policy for the calculation of nonforfeiture benefits (or if the policy provides for no such benefits, computed according to a mortality table and interest rate determined by the insurer and specified in the policy), with adjustment for indebtedness or dividend credit.

(3) This section does not apply to industrial life insurance, group life insurance, disability insurance, reinsurance, or annuities or to ~~any~~ a provision in a life insurance policy relating to disability benefits or to additional benefits in the event of death by accident or accidental means.

(4) ~~Nothing contained in this~~ This section ~~prohibits any~~ does not prohibit a provision ~~which~~ that in the opinion of the commissioner is more favorable to the policyholder than a provision permitted by this section."

Section 8. Section 33-20-131, MCA, is amended to read:

"33-20-131. Policy loan or certificate loan. (1) ~~Except~~ Subject to the provisions of 33-20-101(2) and except as provided in 33-20-132 through 33-20-136, there ~~shall~~ must be a provision that after 3 full years' premiums have been paid and after the policy or certificate has a cash surrender value and while ~~no~~ a premium is not in default beyond the grace period for payment, the insurer will advance, on proper assignment or pledge of the policy or certificate and on the sole security ~~thereof~~ of the policy or certificate, at a specified rate of interest not exceeding 6% a year, an amount equal to or, at the option of the party entitled ~~thereto~~ to the loan, less than the loan value of the policy or certificate. The commissioner may authorize a rate of interest in excess of 6%, but not in excess of 8% a year (or 7.4% if payable annually in advance), for policies or certificates issued on or after January 1, 1980, if the insurer provides adequate written certification that the holders of ~~such~~ the policies will benefit fully from the increased earnings of the insurer resulting from the use of an interest rate in excess of the 6% per annum, such as from higher interest income to the company on policy or certificate loans, higher investment yield resulting from a

reduction in policy or certificate loans because of the higher policy or certificate loan interest rate, and any additional income to the company resulting from the use of ~~such~~ the higher interest rate in any manner ~~whatsoever~~. These benefits to the policyholder ~~shall~~ must be reflected through higher dividends, ~~or~~ lower premiums, or both. The loan value of the policy ~~shall~~ must be at least equal to the cash surrender value at the end of the then current policy or certificate year, provided that the insurer may deduct, either from ~~such~~ the loan value or from the proceeds of the loan, any existing indebtedness not already deducted in determining ~~such~~ the cash surrender value (including ~~any~~ interest then accrued but not due), ~~any~~ an unpaid balance of the premium for the current policy or certificate year, and interest on the loan to the end of the current policy or certificate year unless the policyowner by written notice to the insurer elects to defer payment of interest until it has accrued. The policy or certificate may also provide that if interest on ~~any~~ indebtedness is not paid when due, it ~~shall then~~ must be added to the existing indebtedness and ~~shall~~ must bear interest at the same rate, and that if and when the total indebtedness on the policy or certificate, including interest due or accrued, equals or exceeds the amount of ~~the~~ its loan value ~~thereof, then~~ the policy ~~shall terminate~~ or certificate terminates and ~~become~~ is void. The policy ~~shall~~ or certificate must reserve to the insurer the right to defer the granting of a loan, other than for the payment of ~~any~~ a

premium to the insurer, for 6 months after application ~~therefor~~ for the loan. The policy or certificate, at the insurer's option, may provide for an automatic premium loan, subject to an election of the party entitled to elect.

(2) This section ~~shall~~ does not apply to term policies or to term insurance benefits provided by rider or supplemental policy provisions or to industrial life insurance policies."

Section 9. Section 33-22-508, MCA, is amended to read:

"33-22-508. Conversion on termination of eligibility. (1) A group disability insurance policy issued or renewed after October 1, 1981, ~~shall~~ must contain a provision that if the insurance or any portion of it on a person, his dependents, or family members covered under the policy ceases because of termination of his employment or of his membership in the class or classes eligible for coverage under the policy or as a result of his employer discontinuing his business or as a result of his employer discontinuing the group disability insurance policy and not providing for any other group disability insurance or plan, ~~such~~ and if the person ~~shall,-provided-he~~ had been insured for a period of 3 months, ~~be~~ he is entitled to have issued to him by the insurer, without evidence of insurability, group coverage or an individual policy issued by the insurer or, in the absence of an individual policy issued by the insurer, a group policy issued by the insurer, of hospital or medical service insurance on himself, his dependents, or family members~~,-provided~~ if application for the

individual policy ~~shall-be~~ is made and the first premium tendered to the insurer within 31 days after the termination of group coverage.

(2) The individual policy or group policy, at the option of the insured, ~~shall~~ may be on any ~~of--the--forms~~ form then customarily issued by the insurer to individual or group policyholders, with the exception of ~~those-policies-whose~~ a policy the eligibility for which is determined by affiliation other than by employment with a common entity.

(3) The premium on the individual policy ~~shall~~ or group policy must be at the insurer's then customary rate applicable to the coverage of the individual or group policy."

Section 10. Section 33-1-502, MCA, is amended to read:

"33-1-502. Grounds for disapproval. The commissioner shall disapprove any form filed under 33-1-501 or withdraw any previous approval thereof only if the form:

(1) is in any respect in violation of or does not comply with this code;

(2) contains or incorporates by reference, where such incorporation is otherwise permissible, any inconsistent, ambiguous, or misleading clauses or exceptions and conditions which deceptively affect the risk purported to be assumed in the general coverage of the contract, including a provision in a casualty insurance form permitting defense costs within limits, except as permitted by the commissioner in his discretion;

(3) has any title, heading, or other indication of its provisions which is misleading;

(4) is printed or otherwise reproduced in such manner as to render any provision of the form substantially illegible;

(5) contains any provision that violates the provisions of 49-2-309."

Section 11. **Codification instruction.** (1) [Section 1] is intended to be codified as an integral part of Title 33, chapter 17, part 11, and the provisions of Title 33, chapter 17, part 11, apply to [section 1].

(2) [Section 2] is intended to be codified as an integral part of Title 33, chapter 22, part 1, and the provisions of Title 33, chapter 22, part 1, apply to [section 2].

(3) [Section 3] is intended to be codified as an integral part of Title 33, chapter 22, part 2, and the provisions of Title 33, chapter 22, part 2, apply to [section 3].